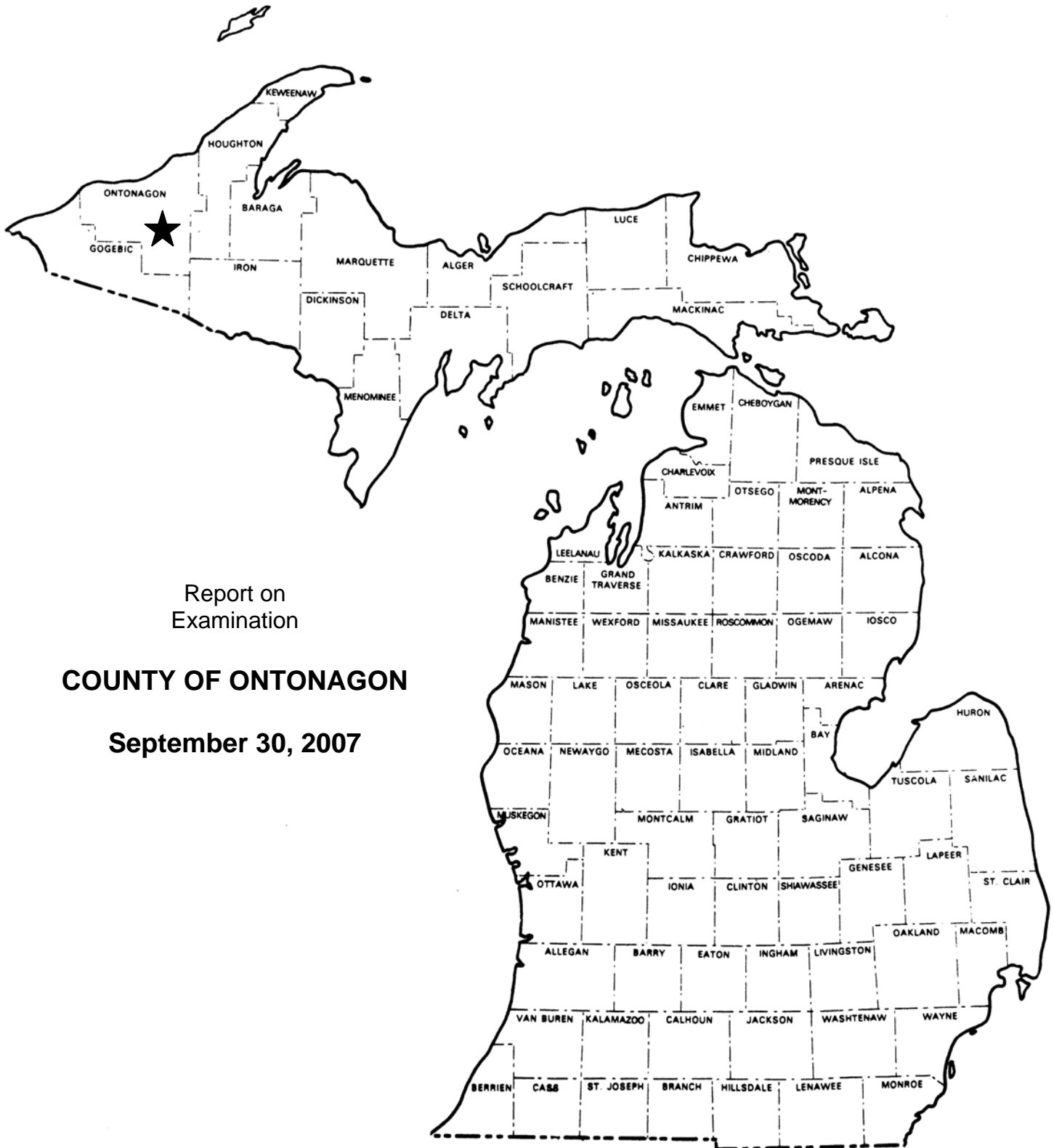


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**



Report on  
Examination  
**COUNTY OF ONTONAGON**  
**September 30, 2007**

COUNTY OF ONTONAGON  
BOARD OF COUNTY COMMISSIONERS

Louis J. Paulman  
Chairperson

Hubert Lukkari

John E. Pelkola  
Vice Chairperson

David Schmidt

Dale Parent

COURT JUDGES

Roy D. Gotham  
Circuit Judge

Joseph D. Zeleznik  
Probate Judge

Anders B. Tingstad  
District Judge

OTHER ELECTED OFFICIALS

Diana J. Killoran  
Treasurer

James R. Jessup  
Prosecuting Attorney

John Gravier  
Sheriff

William Turin  
Mine Inspector

Judith D. Roehm  
Clerk and Register of Deeds

COUNTY POPULATION--2000  
7,788

STATE EQUALIZED VALUATION--2007  
\$347,563,666



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

December 14, 2007

Ontonagon County Board of Commissioners  
Ontonagon County Courthouse  
725 Greenland Road  
Ontonagon, Michigan 49953

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ontonagon County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise Ontonagon County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Ontonagon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Ontonagon County, as of September 30, 2007, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007, on our consideration of the Ontonagon County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparisons for the major funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ontonagon County's basic financial statements. The accompanying supplementary and related information in Exhibits P through X are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These exhibits have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

# COUNTY OF ONTONAGON

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## COUNTY OF ONTONAGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### *Using this Annual Report*

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provides information about the activities of the County, as a whole, and presents a longer-term view of their finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

#### *The County as a Whole*

The County's net assets for the governmental funds increased \$438,254 from a year ago for the governmental activities. The County's net assets for the business-type activities increased \$75,170 from a year ago for the business-type activities. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 2,598,641	\$ 3,012,217	\$ 413,576	16%
Capital Assets	<u>1,859,997</u>	<u>1,905,910</u>	<u>45,913</u>	<u>2%</u>
Total Assets	<u>4,458,638</u>	<u>4,918,127</u>	<u>459,489</u>	<u>10%</u>
Other Liabilities	161,763	188,746	26,983	17%
Long-Term Liabilities	<u>207,886</u>	<u>202,138</u>	<u>(5,748)</u>	<u>-3%</u>
Total Liabilities	<u>369,649</u>	<u>390,884</u>	<u>21,235</u>	<u>6%</u>
Net Assets				
Invested in Capital Assets				
Net of Debt	1,859,997	1,905,910	45,913	2%
Restricted	2,094,533	2,425,972	331,439	16%
Unrestricted	<u>134,459</u>	<u>195,361</u>	<u>60,902</u>	<u>45%</u>
Total Net Assets	<u>\$ 4,088,989</u>	<u>\$ 4,527,243</u>	<u>\$ 438,254</u>	<u>11%</u>

# COUNTY OF ONTONAGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 159,226	\$ 234,056	\$ 74,830	47%
Total Assets	<u>159,226</u>	<u>234,056</u>	<u>74,830</u>	<u>47%</u>
Current Liabilities	<u>(1,756)</u>	<u>(2,096)</u>	<u>(340)</u>	<u>19%</u>
Total Liabilities	<u>(1,756)</u>	<u>(2,096)</u>	<u>(340)</u>	<u>19%</u>
Net Assets				
Restricted	59,548	128,980	69,432	117%
Unrestricted	<u>101,434</u>	<u>107,172</u>	<u>5,738</u>	<u>6%</u>
Total Net Assets	<u>\$ 160,982</u>	<u>\$ 236,152</u>	<u>\$ 75,170</u>	<u>47%</u>

A large portion of the County's net assets, \$1,905,910 (42.1 percent), reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported as net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$2,425,972, (53.6 percent), represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$195,361 (4.3 percent) represents *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government, as a whole, as well as for its separate governmental and business-type activities.



# COUNTY OF ONTONAGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the September 30, 2007:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 568,389	\$ 715,478	\$ 147,089	26%
Operating Grants and Contributions	1,332,427	1,147,086	(185,341)	-14%
Capital Grants and Contributions	73,000	214,601	141,601	194%
General Revenue				
Property Taxes	2,503,231	2,629,253	126,022	5%
Unrestricted Investment Earnings	12,379	17,202	4,823	39%
Rentals	2,400	2,400	-	0%
Total Revenues	<u>4,491,826</u>	<u>4,726,020</u>	<u>234,194</u>	<u>5%</u>
Program Expenses				
General Government	1,774,107	1,903,624	129,517	7%
Public Safety	1,040,598	1,022,106	(18,492)	-2%
Public Works	619,613	662,556	42,943	7%
Health and Welfare	381,846	412,529	30,683	8%
Community and Economic Development	172,702	265,369	92,667	54%
Recreation and Culture	41,260	46,638	5,378	13%
Other	53,942	54,170	228	0%
Total Expenses	<u>4,084,068</u>	<u>4,366,992</u>	<u>282,924</u>	<u>7%</u>
Excess Revenues Before Transfers	407,758	359,028	(48,730)	-12%
Transfers				
Transfers In	106,230	100,000	(6,230)	-6%
Transfers (Out)	<u>(28,377)</u>	<u>(20,774)</u>	<u>7,603</u>	<u>-27%</u>
Changes in Net Assets	<u>485,611</u>	<u>438,254</u>	<u>(47,357)</u>	<u>-10%</u>
Ending Net Assets	<u><u>\$ 4,088,989</u></u>	<u><u>\$ 4,527,243</u></u>	<u><u>\$ 438,254</u></u>	<u><u>11%</u></u>

## COUNTY OF ONTONAGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS

There was an increase in the collection of real property taxes of \$126,022 in 2007 as compared to 2006.

The charges for services increased by \$147,089 and related expenses increased by \$92,667 for the Economic Development Revolving Loan Fund activities for 2007.

General government expenditures decreased by \$129,517 mainly due to a salary increase and an increase in expenditures related to court appointed attorney fees.

Public Works increased during 2007 by \$42,943, as a result of an increase in depreciation expense related to an airport improvement project and an increase in operating costs for the public transit.

	<u>Business-Type Activities 2006</u>	<u>Business-Type Activities 2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 169,219	\$ 197,839	\$ 28,620	17%
Total Revenues	<u>169,219</u>	<u>197,839</u>	<u>28,620</u>	<u>17%</u>
Program Expenses				
Operating Expenses	<u>24,004</u>	<u>22,669</u>	<u>(1,335)</u>	<u>-6%</u>
Total Expenses	<u>24,004</u>	<u>22,669</u>	<u>(1,335)</u>	<u>-6%</u>
Excess Revenues Before Transfers	145,215	175,170	29,955	21%
Transfers				
Transfers (Out)	<u>(106,230)</u>	<u>(100,000)</u>	<u>6,230</u>	<u>-6%</u>
Change in Net Assets	<u>38,985</u>	<u>75,170</u>	<u>36,185</u>	<u>93%</u>
Ending Net Assets	<u>\$160,982</u>	<u>\$ 236,152</u>	<u>\$ 75,170</u>	<u>47%</u>

The change in net assets is the result of a decrease in the amount that was transferred to other funds (\$6,230); and the Foreclosures Fund, which had revenues of \$91,075 and expenses of \$21,643.

# COUNTY OF ONTONAGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

As the County completed fiscal year 2007, its governmental funds reported are *combined* fund balances of \$2,220,015, an increase of \$305,900. The net changes are summarized below:

	Governmental Activities 2006	Governmental Activities 2007	Amount Difference 2007	Percentage Difference 2007
Revenues				
Taxes	\$ 2,505,359	\$ 2,630,689	\$ 125,330	5%
Licenses and Permits	2,716	2,234	(482)	-18%
Federal Grants	474,635	517,054	42,419	9%
State Grants	844,725	816,999	(27,726)	-3%
Contributions From Local Units	4,282	4,282	-	0%
Charges for Services	490,991	478,940	(12,051)	-2%
Fines and Forfeits	22,160	23,426	1,266	6%
Interest and Rentals	42,219	47,650	5,431	13%
Other Revenue	188,169	124,054	(64,115)	-34%
Total Revenues	4,575,256	4,645,328	70,072	2%
Expenditures				
General Government	1,729,413	1,862,732	133,319	8%
Public Safety	1,004,564	986,065	(18,499)	-2%
Public Works	530,175	561,398	31,223	6%
Health and Welfare	461,614	412,529	(49,085)	-11%
Community and Economic Development	92,624	265,369	172,745	187%
Recreation and Cultural	40,505	45,883	5,378	13%
Other	53,942	54,170	228	0%
Capital Outlay	276,436	221,944	(54,492)	-20%
Debt Service				
Principal	8,563	8,564	1	0%
Total Expenditures	4,197,836	4,418,654	220,818	5%
Excess of Revenues Over (Under) Expenditures	377,420	226,674	(150,746)	-40%
Other Financing Sources (Uses)				
Interfund Transfers In				
Primary Government	725,070	667,973	(57,097)	-8%
Interfund Transfers (Out)				
Primary Government	(618,840)	(567,973)	50,867	-8%
Component Unit	(28,377)	(20,774)	7,603	-27%
Total Other Financing Sources (Uses)	77,853	79,226	1,373	2%
Beginning Fund Balance	1,458,842	1,914,115	455,273	31%
Ending Fund Balance	\$ 1,914,115	\$ 2,220,015	\$ 305,900	16%

## COUNTY OF ONTONAGON

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### **The County's Funds**

Our analysis of the County's major funds is detailed in the Notes to the Financial Statements, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2007 include the General Fund, the Public Transit Fund, the 911 Service Fund, the Economic Development Revolving Loan Fund, the Revenue Sharing Fund and the 2006 Tax Payment Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all county revenues and expenditures are recorded in the General Fund. The most significant are the general government, public safety, public works, and health and welfare which incurred expenses of \$1,862,732, \$986,065, \$561,398, and \$412,529, respectively, during 2007.

The County's total governmental revenues increased by approximately 2% or \$70,072, primarily due to the property tax revenue increasing by \$125,330 and a decrease in the Other Revenue of \$64,115, which was primarily related to a reduction in contributions from other sources.

Expenditures increased by approximately \$220,818 or 5% mainly due to the general government expenditures increasing by \$133,319, due to the union and nonunion agreement for a 25 cent per hour increase for courthouse employees and raises for Department Heads at \$750 per year. There was also an increase in expenditures related to court appointed attorneys. Public Safety expenditures decreased as a result of the net increase in the Sheriff and Jail wages due to a 2% increase in wages, and a larger decrease in Homeland Security Grants. The Economic Development Revolving Fund had an increase in expenditures of \$172,745, primarily due to \$180,000 expended in loans during 2007.

#### **General Fund Budgetary Highlights**

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's revenue budget was increased by \$521,225 (19% above the original budget) during fiscal year 2007. Actual General Fund revenue totaled \$3,224,209, which was \$34,388 above the final amended budget. The largest variances were: increase in tax revenue, state grants and charges for services and a decrease in anticipated Federal grants.

The County's expenditure budget was increased by \$134,206 (4% over the original budget) during fiscal year 2007. There was an increase in general government of \$99,836 and capital outlay of \$31,090 and there was also an increase in appropriations of \$387,737 during 2007. Actual General Fund expenditures totaled \$3,052,936, which was \$23,772 less than the final amended budget.

## **COUNTY OF ONTONAGON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Capital Asset and Debt Administration**

At the end of 2007, the County had \$1,905,910 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this year included land improvements for the airport of \$169,694, office and other equipment for \$26,602 and vehicles for \$25,648. See Note F of the notes to the financial statements for more information. No debt was incurred for the asset acquisitions.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total debt outstanding of \$55,662 in loans and vested employee benefits of \$146,476.

#### **Economic Factors and Next Year's Budgets and Rates**

The County has considered the following factor in preparing the 2008 fiscal year budget:

Union agreements allowed for a 25 cent per hour increase for Probate Court and Courthouse/Transit employees; 2% increase for the Sheriff's Department employees. Raises for nonunion employees were authorized at 25 cents per hour and Department Heads at \$750 per year. Health insurance costs were budgeted at a 10% increase.

All revenues were budgeted conservatively, not knowing what the State's financial condition would be and the availability of grant funds.

Travel funds will be limited only to mandatory conferences and travel necessary to job performance.

Capital outlay will also be limited to absolute necessities.

Service contracts/maintenance agreements were budgeted at a 3 to 5 percent increase. If long term (3-5 year) contracts propose a substantial savings to the County, the County Board usually opts for them.

#### **Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Ontonagon County Clerk's Office at the Ontonagon County Courthouse, 725 Greenland Road, Ontonagon, Michigan 49953.

**ONTONAGON COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2007**

**EXHIBIT A**

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b><u>ASSETS</u></b>				
Current Assets				
Cash	\$ 1,596,299	\$ 129,900	\$ 1,726,199	\$ 1,338,134
Receivables (Net)				
Current Property Taxes	287,340		287,340	
Delinquent Property Taxes		450,156	450,156	
Unpaid Personal Property Taxes	9,234		9,234	4,580
Accounts	12,743		12,743	30,605
Interest	8,084		8,084	
Economic Development Loans	594,222		594,222	
Due From Townships	6,635		6,635	
Due From State	134,706		134,706	552,708
Due From Local Units of Governments	3,088		3,088	38,825
Inventories				829,256
Internal Balances	346,000	(346,000)	-	
Prepays	13,866		13,866	68,892
Total Current Assets	3,012,217	234,056	3,246,273	2,863,000
Noncurrent Assets				
Capital Assets--Net of Accumulated Depreciation	1,905,910		1,905,910	5,057,329
Total Noncurrent Assets	1,905,910	-	1,905,910	5,057,329
Total Assets	\$ 4,918,127	\$ 234,056	\$ 5,152,183	\$ 7,920,329
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current Liabilities				
Accounts Payable	\$ 124,828		\$ 124,828	\$ 117,159
Due to State	6,411		6,411	71,340
Stumpage Deposits Payable	200		200	
Accrued Liabilities	50,942		50,942	
Redemption Certificate Fees		\$ (2,096)	(2,096)	
Deferred Revenue	6,365		6,365	
Total Current Liabilities	188,746	(2,096)	186,650	188,499
Noncurrent Liabilities				
Advances From State			-	514,090
Deferred Revenue			-	305,108
Loans Payable--Due Within One Year	8,563		8,563	
Loans Payable	47,099		47,099	
Installment Loan Payable			-	
Vested Employee Benefits Payable	146,476		146,476	549,103
Total Noncurrent Liabilities	202,138	-	202,138	1,368,301
Total Liabilities	390,884	(2,096)	388,788	1,556,800
Net Assets				
Investment in Capital Assets--Net of Related Debt	1,905,910		1,905,910	5,057,329
Restricted for				
Family Counseling	2,109		2,109	
Act 302 Officer Training	4,760		4,760	
Economic Development Grants/Loans	841,322		841,322	
Special Revenue Programs	1,577,781		1,577,781	
Foreclosures		128,980	128,980	
County Road Projects				1,225,099
Building Renovations				
Unrestricted	195,361	107,172	302,533	81,101
Total Net Assets	\$ 4,527,243	\$ 236,152	\$ 4,763,395	\$ 6,363,529

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	PRIMARY GOVERNMENT			
					Governmental Activities	Business-Type Activities	Total	Component Units
Primary Government								
Governmental Activities								
General Government	\$ 1,903,624	\$ 320,906	\$ 520,154		\$ (1,062,564)		\$ (1,062,564)	
Public Safety	1,022,106	97,820	166,637	\$ 18,000	(739,649)		(739,649)	
Public Works	662,556	69,633	302,899	196,601	(93,423)		(93,423)	\$ 6,166,750
Health and Welfare	412,529	-	79,651		(332,878)		(332,878)	
Community and Economic Development	265,369	173,530	77,745	-	(14,094)		(14,094)	119,209
Recreation and Culture	46,638	53,589	-		6,951		6,951	
Other	54,170				(54,170)		(54,170)	
Total Governmental Activities	4,366,992	715,478	1,147,086	214,601	(2,289,827)	\$ -	(2,289,827)	6,285,959
Business-Type Activities								
Delinquent Tax Funds Combined	22,669	197,839				175,170	175,170	
Total Business-Type Activities	22,669	197,839	-	-	-	175,170	175,170	-
Total Primary Government	\$ 4,389,661	\$ 913,317	\$ 1,147,086	\$ 214,601	\$ (2,289,827)	\$ 175,170	\$ (2,114,657)	\$ -
Component Units								
Road Commission	\$ 6,166,750	\$ 2,584,636	\$ 2,321,970	\$ 1,269,593				\$ 9,449
Economic Development Corporation	119,209	40,523	11,022	-				(67,664)
Total Component Units	\$ 6,285,959	\$ 2,625,159	\$ 2,332,992	\$ 1,269,593	\$ -	\$ -	\$ -	\$ (58,215)
General Revenues								
Property Taxes					\$ 2,629,253		\$ 2,629,253	\$ 897,323
Unrestricted Investment Earnings					17,202		17,202	3,405
Rentals					2,400		2,400	
Transfers In					100,000		100,000	20,774
Transfers In (Out)					(20,774)	\$ (100,000)	(120,774)	
Total General Revenues--Special Items and Transfers					2,728,081	(100,000)	2,628,081	921,502
Change in Net Assets					438,254	75,170	513,424	863,287
Net Assets--Beginning					4,088,989	160,982	4,249,971	5,500,242
Net Assets--Ending					\$ 4,527,243	\$ 236,152	\$ 4,763,395	\$ 6,363,529

The Notes to Financial Statements are an integral part of this statement.

**ONTONAGON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2007**

**EXHIBIT C**

	SPECIAL REVENUE FUNDS						
	General	Public Transit	911 Service	Economic Development Revolving Loan	Revenue Sharing	Non-Major Governmental Funds	Total Governmental Funds
<b><u>ASSETS</u></b>							
Current Assets							
Cash		\$244,822	\$417,576	\$ 239,016	\$470,266	\$224,619	\$ 1,596,299
Receivables							
Current Summer Taxes	\$ 287,340						287,340
Unpaid Personal Property Taxes	9,234						9,234
Accounts		5,373	6,900			470	12,743
Interest				8,084			8,084
Economic Development Loans				594,222			594,222
Due From Other Funds--Primary Government					220,040		220,040
Due From Townships	6,635						6,635
Due From State	80,192	15,988	24,548			13,978	134,706
Due From Other Agencies	3,088						3,088
Prepaid Expense	9,225	4,641				-	13,866
Total Current Assets	395,714	270,824	449,024	841,322	690,306	239,067	2,886,257
Noncurrent Assets							
Long-Term Advances to Other Funds--Primary Government	346,000						346,000
Total Noncurrent Assets	346,000	-	-	-	-	-	346,000
Total Assets	\$ 741,714	\$270,824	\$ 449,024	\$ 841,322	\$690,306	\$239,067	\$ 3,232,257
<b><u>LIABILITIES AND FUND EQUITY</u></b>							
Current Liabilities							
Accounts Payable	\$ 88,853	\$ 7,191	\$ 21,809			\$ 6,975	\$ 124,828
Due to State of Michigan	-	2,308				4,103	6,411
Due to Other Funds--Primary Government	220,040						220,040
Stumpage Deposits Payable						200	200
Accrued Liabilities	28,453	21,927				562	50,942
Total Current Liabilities	337,346	31,426	21,809	\$ -	\$ -	11,840	402,421
Noncurrent Liabilities							
Deferred Revenue	9,234			594,222		6,365	609,821
Total Liabilities	346,580	31,426	21,809	594,222	-	18,205	1,012,242



**ONTONAGON COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2007**

**EXHIBIT C  
(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>						
	General	Public Transit	911 Service	Economic Development Revolving Loan	Revenue Sharing	Non-Major Governmental Funds	Total Governmental Funds
Fund Equity							
Fund Balances							
Reserved for							
Long-Term Advances	125,000						125,000
Family Counseling	2,109						2,109
Act 302 Officer Training	4,760						4,760
Economic Development Grants/Loans				247,100			247,100
Revenue Sharing Fund					690,306		690,306
Special Revenue Programs		239,398	427,215			169,838	836,451
Unreserved--Undesignated	263,265					51,024	314,289
Total Fund Equity	395,134	239,398	427,215	247,100	690,306	220,862	2,220,015
Total Liabilities and Fund Equity	\$ 741,714	\$270,824	\$449,024	\$ 841,322	\$690,306	\$239,067	\$ 3,232,257

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net  
Assets of Governmental Activities on the Statement of Net Assets

Fund Balance--Total Governmental Funds \$ 2,220,015

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds. 1,905,910

Revenues that do not provide current financial resources are not reported as revenue in the funds. 603,456

Certain liabilities, such as bonds payable, interest payable and compensated absences, are not due  
and payable in the current period and, therefore, are not reported in the funds. (202,138)

Total Net Assets \$ 4,527,243

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT D**

	SPECIAL REVENUE FUNDS						
	General	Public Transit	911 Service	Economic Development Revolving Loan Fund	Revenue Sharing	Non-Major Governmental	Total Governmental Funds
Revenues							
Taxes and Penalties	\$ 2,242,141	\$ 216,533				\$ 172,015	\$ 2,630,689
Licenses and Permits	2,234						2,234
Federal Grants	154,587	91,441				271,026	517,054
State Grants	449,430	207,370	\$ 96,235			63,964	816,999
Contributions From Local Units	4,282						4,282
Charges for Services	358,771	59,327	45,892			14,950	478,940
Fines and Forfeits	1,250					22,176	23,426
Interest and Rentals	13,206	4,088		\$ 23,530	\$ 6,396	430	47,650
Other Revenue	32,696			67,872		23,486	124,054
Total Revenues	3,258,597	578,759	142,127	91,402	6,396	568,047	4,645,328
Expenditures							
Current							
General Government	1,833,392					29,340	1,862,732
Public Safety	912,158		73,907				986,065
Public Works	19,262	531,108				11,028	561,398
Health and Welfare	161,884					250,645	412,529
Community and Economic Development	7,624			180,000		77,745	265,369
Recreation and Cultural	25,534					20,349	45,883
Other	54,170						54,170
Capital Outlay	30,348	-	-			191,596	221,944
Debt Service							
Principal	8,564						8,564
Total Expenditures	3,052,936	531,108	73,907	180,000	-	580,703	4,418,654
Excess of Revenues Over (Under) Expenditures	205,661	47,651	68,220	(88,598)	6,396	(12,656)	226,674
Other Financing Sources (Uses)							
Interfund Transfers In--Primary Government	260,564				389,663	17,746	667,973
Interfund Transfers (Out)--Primary Government	(407,409)				(159,207)	(1,357)	(567,973)
Interfund Transfers (Out)--Component Unit				(20,774)			(20,774)
Total Other Financing Sources (Uses)	(146,845)	-	-	(20,774)	230,456	16,389	79,226
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	58,816	47,651	68,220	(109,372)	236,852	3,733	305,900
Fund Balance (Deficit)--October 1, 2006	336,318	191,747	358,995	356,472	453,454	217,129	1,914,115
Fund Balance (Deficit)--September 30, 2007	\$ 395,134	\$ 239,398	\$ 427,215	\$ 247,100	\$ 690,306	\$ 220,862	\$ 2,220,015

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2007**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 305,900

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	221,944
Deduct--Depreciation Expense	(176,031)

Revenues earned, but not available for current resources, are not reported in the funds.

Economic Development--2007 Collections on Prior Years' Loans	(67,872)
Economic Development--2007 New Loans	150,000
Tax Revenues	(1,435)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	8,564
--	-------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.

Net (Increase) Decrease in Compensated Absences	<u>(2,816)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 438,254</u>
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**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2007**

**EXHIBIT E**

**ENTERPRISE FUNDS  
BUSINESS-TYPE ACTIVITIES**

	100% Tax Payment 2006	Non-Major Enterprise Funds	Total
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 59	\$ 129,841	\$ 129,900
Delinquent Taxes Receivable	376,892	74,253	451,145
Forfeiture Certificate Fee Receivable		(989)	(989)
Total Current Assets	376,951	203,105	580,056
Total Assets	\$ 376,951	\$ 203,105	\$ 580,056
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Redemption Certificate Fees		\$ (2,096)	\$ (2,096)
Total Current Liabilities	\$ -	(2,096)	(2,096)
Noncurrent Liabilities			
Advance From General Fund	346,000	-	346,000
Total Noncurrent Liabilities	346,000	-	346,000
Total Liabilities	346,000	(2,096)	343,904
<b><u>NET ASSETS</u></b>			
Restricted Net Assets--Foreclosures		128,980	128,980
Unrestricted Net Assets	30,951	76,221	107,172
Total Net Assets	\$ 30,951	\$ 205,201	\$ 236,152

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT F**

	<b>ENTERPRISE FUNDS</b> <b>BUSINESS-TYPE ACTIVITIES</b>		
	100% Tax Payment 2006	Non-Major Enterprise Funds	Total Enterprise Funds
Operating Revenues			
Interest and Penalties on Taxes	\$ 30,951	\$ 75,813	\$ 106,764
Other Foreclosure Fees and Charges		91,075	91,075
Total Operating Revenues	30,951	166,888	197,839
Operating Expenses			
Supplies and Postage		3,882	3,882
Contract Services		12,829	12,829
Filing and Visitation Fees		2,843	2,843
Advertising		3,115	3,115
Total Operating Expenses	-	22,669	22,669
Net Operating Income (Loss)			
Before Operating Transfers	30,951	144,219	175,170
Interfund Transfers			
Transfers (Out) to General Fund		(100,000)	(100,000)
Change in Net Assets	30,951	44,219	75,170
Total Net Assets--October 1, 2006	-	160,982	160,982
Total Net Assets--September 30, 2007	\$ 30,951	\$ 205,201	\$ 236,152

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT G**

	<b>ENTERPRISE FUNDS</b> <b>BUSINESS-TYPE ACTIVITIES</b>		
	100% Tax Payment 2006	Non-Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities			
Interest and Penalties on Taxes	\$ 30,951	\$ 75,813	\$ 106,764
Other Foreclosure Fees and Charges		91,075	91,075
Operating Expenses		(22,669)	(22,669)
Delinquent Taxes Collected	396,000	355,019	751,019
Delinquent Taxes Purchased	(772,892)		(772,892)
Net Cash Provided by Operating Activities	(345,941)	499,238	153,297
Cash Flows From Noncapital Financing Activities			
Advances From Other Funds	560,000	-	560,000
Return of Advances From Other Funds	(214,000)	(330,000)	(544,000)
(Increase) or Decrease in Forfeiture Certificate Fee Receivable		126	126
Increase or (Decrease) in Redemption Certificate Payable		(340)	(340)
Transfers In (Out)		(100,000)	(100,000)
Net Cash Provided by Noncapital Financing Activities	346,000	(430,214)	(84,214)
Net Increase (Decrease) in Cash and Cash Equivalents	59	69,024	69,083
Cash and Cash Equivalents at Beginning of Year	-	60,817	60,817
Cash and Cash Equivalents at End of Year	\$ 59	\$ 129,841	\$ 129,900
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	\$ 30,951	\$ 144,219	\$ 175,170
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
(Increase) Decrease in Taxes Receivable	(376,892)	355,019	(21,873)
Net Cash Provided by Operating Activities	\$ (345,941)	\$ 499,238	\$ 153,297

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2007**

**EXHIBIT H**

	<b><u>AGENCY FUNDS</u></b>
<b><u>ASSETS</u></b>	
Cash	<u>\$ 781,839</u>
Total Assets	<u><u>\$ 781,839</u></u>
Liabilities	
Due to Other Funds	\$ (554)
Due to Schools	(8,415)
Due to Townships	(902)
Due to Villages	922
Due to State of Michigan	757,758
Undistributed Interest	106
Undistributed Penal Fines	12,395
Undistributed Tax Collections	407
Other Trust Payable	<u>20,122</u>
Total Liabilities	<u><u>\$ 781,839</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**ONTONAGON COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**September 30, 2007**

**EXHIBIT I**

	<b>MAJOR COMPONENT UNIT</b>	<b>NON-MAJOR COMPONENT UNIT</b>	
	Road Commission	Economic Development Corporation	Total
<b><u>ASSETS</u></b>			
Current Assets			
Cash	\$ 1,250,717	\$ 87,417	\$ 1,338,134
Receivables			
Taxes	4,580		4,580
Accounts	22,363	8,242	30,605
Due From State	552,708		552,708
Due From Townships	38,825		38,825
Inventories	829,256		829,256
Prepays	68,892		68,892
Total Current Assets	2,767,341	95,659	2,863,000
Noncurrent Assets			
Capital Assets (Net)	5,057,329		5,057,329
Total Noncurrent Assets	5,057,329	-	5,057,329
Total Assets	<u>\$ 7,824,670</u>	<u>\$ 95,659</u>	<u>\$ 7,920,329</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 102,601	\$ 14,558	\$ 117,159
Accrued Liabilities	71,340		71,340
Total Current Liabilities	173,941	14,558	188,499
Noncurrent Liabilities			
Advances From State	514,090		514,090
Long-Term Advances From			
Deferred Revenue	305,108		305,108
Vested Employee Benefits Payable	549,103		549,103
Total Noncurrent Liabilities	1,368,301	-	1,368,301
Total Liabilities	1,542,242	14,558	1,556,800
Net Assets			
Investment in Capital Assets	5,057,329		5,057,329
Restricted for County Road Projects	1,225,099		1,225,099
Unrestricted		81,101	81,101
Total Net Assets	<u>\$ 6,282,428</u>	<u>\$ 81,101</u>	<u>\$ 6,363,529</u>

**The Notes to Financial Statements are an integral part of this statement.**



**ONTONAGON COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Year Ended September 30, 2007**

**EXHIBIT J**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road	Economic Development Corporation	Total
Road Commission							
Public Works	\$ 6,166,750	\$ 2,584,636	\$ 2,321,970	\$ 1,269,593	\$ 9,449		\$ 9,449
Total Road Commission	6,166,750	2,584,636	2,321,970	1,269,593	9,449	\$ -	9,449
Economic Development Corporation							
Community and Economic Development	119,209	40,523	11,022			(67,664)	(67,664)
Total Economic Development Corporation	\$ 119,209	\$ 40,523	\$ 11,022	\$ -	-	(67,664)	(67,664)
General Revenues							
Property Taxes					897,323		897,323
Investment Earnings						3,405	3,405
Transfers							
Interfund Transfers In From Primary Government						20,774	20,774
Total General Revenues--Special Items and Transfers					897,323	24,179	921,502
Change in Net Assets					906,772	(43,485)	863,287
Net Assets--Beginning of Year					5,375,656	124,586	5,500,242
Net Assets--End of Year					\$ 6,282,428	\$ 81,101	\$ 6,363,529

**The Notes to Financial Statements are an integral part of this statement.**

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

The accounting policies of Ontonagon County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Ontonagon County:

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

Ontonagon County is a municipal corporation governed by an elected five member board of commissioners. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," these financial statements present the county (the primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. The component units discussed in Note B are included in the county's financial reporting entity because of the significance of their operational or financial relationships with the county.

The component unit columns in the government-wide financial statements (Exhibits A and B) include the financial data of the Ontonagon County Road Commission and the Ontonagon County Economic Development Corporation (EDC). These financial statements are reported in separate columns to emphasize that they are legally separate from the county.

Each discretely presented component unit is reported in a separate column in the Component Units' Statement of Net Assets (Exhibit I) and the Statement of Activities (Exhibit J).

##### Discretely Presented Component Units

The Ontonagon County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a three member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt or levy property taxes without the county's approval. The Road Commission's property taxes are levied under the taxing authority of the county, as approved by the county electors, are included as part of the county's total tax levy and are reported in the county Road Fund.

The Ontonagon County Economic Development Corporation (EDC) was established in 1976 pursuant to the provisions of Public Act (PA) 338 of 1974, as amended. The EDC is included as part of the Ontonagon County entity for financial reporting purposes because its board is appointed by the Ontonagon County Board of Commissioners. A significant portion of its operating budget is funded by county appropriations. The EDC may not issue debt without the county's approval and the EDC administers the County's Economic Development Revolving Loan Fund established by Federal grants to the county. The financial statements of the County Economic Development Corporation are included in the special revenue fund category.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Complete audited and/or unaudited financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

#### Administrative Offices

Ontonagon County Economic Development Corporation  
Ontonagon County Courthouse  
725 Greenland Road  
Ontonagon, Michigan 49953

Ontonagon County Road Commission  
415 Spar Street  
Ontonagon, Michigan 49953

#### Jointly Governed Organization--District Health Department

Ontonagon County, in conjunction with Baraga, Gogebic, Houghton and Keweenaw counties, has created the Western Upper Peninsula District Health Department under the authority of the Public Health Code. The District Health Board is composed of two members from each of the counties who are appointed by each participating county board of commissioners. All of the financial operations of the District Health Department are recorded in the records of Houghton County as a discretely presented component unit. The funding formula approved by the member counties is based pro rata on each unit's population and State equalized valuation to the district's population and valuation. Member counties' percentages and dollar share of the net operating budget for 2007 were:

Ontonagon	12.80%	\$ 51,141
Baraga	12.30%	49,144
Gogebic	25.30%	101,084
Houghton	44.30%	176,998
Keweenaw	<u>5.30%</u>	<u>21,176</u>
Total	<u>100.00%</u>	<u>\$399,543</u>

Ontonagon County's 2007 actual appropriation to the District Health Department was \$51,141 as the counties of Ontonagon, Gogebic and Houghton increased their budget allocations to amounts over the approved funding formula. An additional \$3,259 was appropriated from the State shared cigarette tax revenues.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Jointly Governed Organization--Community Mental Health Authority

Ontonagon County, in conjunction with Baraga, Houghton and Keweenaw counties, has created the Copper Country Mental Health Services Board, which is a community mental health organization defined in the Mental Health Code, MCL 330.1001, et seq., as amended, (Code). During 1996, the jointly created board became a community mental health authority under Section 205 of the Code in accordance with the Urban Cooperation Act. The Copper Country Community Mental Health Services Authority Board is composed of 12 members apportioned between the member counties on the basis of population. The board appointments are approved by their respective county board of commissioners. All of the financial operations of the Mental Health Authority are recorded in the records of Houghton County as a discretely presented component unit. The funding of the Mental Health Authority operations by the member counties is based on an agreement between the Mental Health Board and member counties, which provides for single annual appropriations to provide for State institution inpatient costs and mental health program costs.

The board approved member county appropriations for 2007 were as follows:

Ontonagon	\$ 48,814
Baraga	33,795
Houghton	164,495
Keweenaw	<u>8,500</u>
Total	<u><u>\$255,604</u></u>

Ontonagon County's 2007 appropriation to the Mental Health Board was \$48,814.

#### Basis of Presentation--Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

##### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the county.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The county reports the following major governmental funds:

##### GOVERNMENTAL FUNDS

###### General Fund

The General Fund is the government's primary operating fund. This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, State and Federal aid, and charges for services to provide for the administration and operation of: (1) general county governmental departments, boards and commissions; (2) court systems; (3) law enforcement; and (4) health, welfare and medical assistance. The fund includes the general operating expenditures of the county.

###### Special Revenue Funds

These funds are used to account for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

###### Public Transit

This fund is used to account for the operations of the transit. Revenues are primarily derived from grants, a special voted property tax levy and user fees. The fund includes the operating expenditures of the county's bus transit system.

###### 911 Services

This fund is used to account for the operations of the county-wide emergency 911 telephone service plan. Revenues are derived from the State's wireless 911 funding allocations and the 4% surcharge on all phone lines servicing Ontonagon County. The fund includes all operating and capital expenditures relative to providing county-wide emergency 911 service.

###### Economic Development Revolving Loan Fund

This fund is used to account for the activity of the economic development revolving loan program.

###### Revenue Sharing Fund

The Revenue Sharing Fund is the funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax mileage from a winter tax levy to a summer tax levy over a three year period.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### PROPRIETARY FUNDS

###### Enterprise Funds

100% Tax Payment Fund 2006--This fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the county's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Enterprise funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The principal operating revenues of the delinquent tax fund are collection fees for delinquent taxes. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

##### FIDUCIARY FUNDS

###### Agency Funds

These funds account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Agency funds are by nature custodial; therefore, operation results are not measured.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources first, then unrestricted resources as they are needed.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Cash, Cash Equivalents, and Investments

For purposes of the statement of cash flows, demand deposits and short-term investments with a maturity of three months or less, when acquired, are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value based on quoted market prices.

##### Current Property Taxes

The county property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st.

The 2006 State equalized valuation of Ontonagon County amounted to \$336,690,487 and the taxable valuation is \$207,353,007, on which ad valorem taxes of 2.1196 mills were levied for county operating purposes; .4830 mills for the county commission on aging for the maintenance and expansion of its present programs for senior citizens; .9753 mills for county transit system operating purposes; .2925 mills for Gogebic/Ontonagon Community Action programs in Ontonagon County; and 4.6863 mills for county road commission and the Village of Ontonagon's snow removal and road construction purposes. In addition, specific taxes are levied under the Industrial Facilities Tax Act and Commercial Forest Reserve Act. The current winter tax revenues, reflected in the county's 2007 financial statements, consist of the amount of the 2006 tax levy collected by the local unit treasurers prior to March 1, 2007.

##### Current Summer Property Taxes Receivable

In accordance with the provisions of Michigan Public Act 357 of 2004, the county levied (in the summer of 2007) an additional 6.3071 mills on the county's 2007 taxable valuation of \$221,815,122. The total estimated county share of the levy, \$1,365,447 has been recorded as 2007 General Fund current property tax revenue although \$287,339 remained uncollected as of September 30, 2007.

##### Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$9,234, recorded in the General Fund, and \$4,580 recorded in the component unit (Road Commission) financial statements, consist of unpaid personal property taxes for the years 2002 through 2006. The county's policy is to recognize revenue from delinquent property taxes when collected. Accordingly, the delinquent taxes receivable are recorded in the county's financial statements with an offsetting credit to deferred revenue--taxes.



## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Enterprise Funds

The taxes receivable--delinquent of \$451,145 which are recorded in the Enterprise Funds, consist of the unpaid delinquent real property taxes which were purchased from all of the taxing units in Ontonagon County by the County's 100% Tax Payment Funds for the years 2003 (\$14), 2004 (\$7,257), 2005 (\$66,982) and 2006 (\$376,892). The County's 100% Tax Payment Funds are financed entirely by advances from the County's General Fund. Accordingly, none of the delinquent taxes are pledged for the payment of notes.

##### Inventories

The component unit (Road Commission) inventories, consisting of road materials of \$799,645 and equipment parts and materials of \$287,010, are priced at cost based on the average unit cost method. Inventory items are charged to road construction and maintenance, and to equipment repairs and operations, as used.

##### Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 permits major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB No. 34. Beginning with the fiscal year ended September 30, 2003, the Ontonagon County Road Commission has capitalized each current year's infrastructure, as required by GASB No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission has not retroactively capitalized the major infrastructure assets as of September 30, 2005, as permitted by GASB No. 34. For the Ontonagon County Road Commission, the fourth anniversary of the mandated date of adoption of the other provisions of GASB No. 34 will be October 1, 2007.

Capital assets used in governmental fund type operations are accounted for in the governmental activities column of the government-wide financial statements.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation in the Operating Fund as a charge to various expense accounts and a credit to a depreciation credit account. Accordingly, the annual depreciation expense does not affect the available Operating Fund equity.

The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

#### Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Cost Allocation Plans

Ontonagon County has prepared and submitted to the Passenger Transportation Division (PTD), Michigan Department of Transportation (MDOT), a central services cost allocation plan to document those General Fund costs which should be allocated to the various Federal and State grant programs. This plan has been adhered to in the preparation of the financial statements. The amount of \$16,762 was paid to the General Fund by the Public Transit Fund for the 2007 fiscal year central services charges.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Other Financing Sources (Uses)

The transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case they are carried as assets and liabilities of the advancing or borrowing funds.

### NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budgets and Budgetary Accounting

Budgets are adopted by the county board of commissioners for the General Fund and special revenue funds, except for the County Road Fund and County Economic Development Corporation Fund whose budgets are adopted and administered by the board of county road commissioners and the board of county economic development corporation, respectively. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budgets are adopted at the activity level and control is exercised at that level. The county board of commissioners has authorized the county's chief administrative officer (county clerk) to make General Fund budget transfers between activities in September, when necessary, without increasing the overall budget and with the transfers to be subsequently presented to the board for their review and approval. Also, the board of road commissioners has authorized its chief administrative officer and fiscal officer to amend the County Road Fund budget, when necessary, without increasing the overall budget, by transferring funds between expenditure cost centers (activities). Budgeted revenues and expenditures, as presented in Exhibits K, L, M, N and O, include the original budget and the final amended budget which contains authorized amendments to the original budgets as adopted.

In noncompliance with Public Act 2 of 1968, as amended, expenditures were incurred in excess of amounts appropriated in the amended budget for an activity of the following special revenue funds:

<u>Fund/Activity or Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Expenditures Over Budget</u>
Non-Major Special Revenue Funds			
County Library Board			
Recreation and Cultural	\$ 18,055	\$ 20,349	\$ 2,294
Probate Child Care			
Health and Welfare	74,050	76,523	2,473
Carl Thornton Endowment			
Public Works		982	982

COUNTY OF ONTONAGON

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH AND INTEREST-BEARING DEPOSITS

Michigan Compiled Laws (MCL), Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The county's deposits and investments are in accordance with statutory authority.

The county has designated five banks for deposit of county funds. The investment policy adopted by the board is in accordance with Public Act 20 of 1943, as amended, and includes all of the above investments.

At year end, the county's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Uninsured and Uncollateralized	<u>\$ 1,596,299</u>	<u>\$ 129,900</u>	<u>\$ 781,839</u>	<u>\$ 2,508,038</u>	<u>\$ 1,338,134</u>
Total	<u><u>\$ 1,596,299</u></u>	<u><u>\$ 129,900</u></u>	<u><u>\$ 781,839</u></u>	<u><u>\$ 2,508,038</u></u>	<u><u>\$ 1,338,134</u></u>

The bank balance of the primary government's deposits is \$2,990,461 of which \$364,631 is covered by Federal depository insurance.

Investments Authorized by the County's Investment Policy

The county's investment policy only authorizes investment in all those that are authorized by law. The investment policy does not contain any specific provisions intended to limit the exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the county manages its exposure to interest rate risk is by not participating in any investments.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE C--CASH AND INTEREST-BEARING DEPOSITS (Continued)

##### Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the county contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

##### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the county's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

#### NOTE D--ACCOUNTS RECEIVABLE

##### Special Revenue Funds

The accounts receivable recorded in special revenue funds consist of the Public Transit Fund billings to other agencies for transit services provided to those agencies on a contractual basis in the amount of \$5,373 the 911 Service Funds receivable is from phone companies for their collections of the 4% operating surcharges through September of 2007 in the amount of \$6,900 and a reimbursement of \$347 to the Law Library Fund.

##### Component Unit

The accounts receivable recorded in the Road Commission consist of sundry receivables. The receivables were collected within 60 days after the fiscal year end.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE E--ADVANCES AND DUE TO OTHER FUNDS--GENERAL FUND

At September 30, 2007, there was a negative cash balance in the General Fund in the amount of \$220,040. To eliminate the negative cash balance, an interfund receivable and payable was established as follows:

<u>Fund</u>	<u>Other Funds</u>	<u>Fund</u>	<u>Other Funds</u>
Revenue Sharing Fund	<u>\$220,040</u>	General Fund	<u>\$220,040</u>
Total	<u><u>\$220,040</u></u>		<u><u>\$220,040</u></u>

The county's present policy is to finance the working capital requirements of their 100% Tax Payment Funds (Enterprise) entirely with cash advances from the General Fund. At September 30, 2007, a total of \$346,000 was advanced of which approximately \$221,000 was available to be returned to the General Fund within 60 days of period end. Accordingly, the balance of \$125,000 is recorded as an amount reserved for long-term advances in the General Fund's fund balance.

### NOTE F--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

#### Capital Assets--Primary Government

	Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Land	\$ 50,300			\$ 50,300
Subtotal	<u>50,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>50,300</u>
Capital Assets Being Depreciated				
Land Improvements	344,045	169,694		513,739
Buildings and Fixtures	2,218,742	-		2,218,742
Office and Other Equipment	103,719	26,602		130,321
Vehicles	<u>623,958</u>	<u>25,648</u>	<u>-</u>	<u>649,606</u>
Total	<u>3,290,464</u>	<u>221,944</u>	<u>-</u>	<u>3,512,408</u>
Less Accumulated Depreciation				
Land Improvements	23,947	25,688		49,635
Buildings and Fixtures	1,013,506	64,470		1,077,976
Office and Other Equipment	31,543	15,003		46,546
Vehicles	<u>411,771</u>	<u>70,870</u>	<u>-</u>	<u>482,641</u>
Total	<u>1,480,767</u>	<u>176,031</u>	<u>-</u>	<u>1,656,798</u>
Net Capital Assets Being Depreciated	<u>1,809,697</u>	<u>221,944</u>	<u>176,031</u>	<u>1,855,610</u>
Total Capital Assets	<u><u>\$ 1,859,997</u></u>	<u><u>\$ 221,944</u></u>	<u><u>\$ 176,031</u></u>	<u><u>\$ 1,905,910</u></u>

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$ 37,304
Public Safety	36,814
Public Works	101,158
Recreation and Culture	<u>755</u>
Total Depreciation Expense	<u>\$176,031</u>

### Capital Assets--Road Commission (Component Unit)

	Account Balances 10/01/06	Additions	Deductions	Account Balances 09/30/07
Capital Assets Not Being Depreciated				
Infrastructure--Land	\$ 13,412			\$ 13,412
Infrastructure--Land Improvements	<u>59,961</u>			<u>59,961</u>
Subtotal	<u>73,373</u>	<u>\$ -</u>	<u>\$ -</u>	<u>73,373</u>
Capital Assets Being Depreciated				
Buildings	2,247,989	32,750		2,280,739
Road Equipment	6,524,972	65,844		6,590,816
Shop Equipment	147,271	733		148,004
Office Equipment	68,909			68,909
Engineer's Equipment	19,355			19,355
Infrastructure--Bridges	11,952			11,952
Infrastructure--Roads	<u>2,750,146</u>	<u>1,407,081</u>		<u>4,157,227</u>
Total	<u>11,770,594</u>	<u>1,506,408</u>	<u>-</u>	<u>13,277,002</u>
Less Accumulated Depreciation				
Building	1,245,750	49,698		1,295,448
Road Equipment	5,648,268	322,530		5,970,798
Shop Equipment	133,071	5,261		138,332
Office Equipment	61,021	3,672		64,693
Engineer's Equipment	19,081	274		19,355
Infrastructure--Bridges	2,988			2,988
Infrastructure--Roads	<u>486,079</u>	<u>315,354</u>		<u>801,433</u>
Total	<u>7,596,258</u>	<u>696,789</u>	<u>-</u>	<u>8,293,047</u>
Net Capital Assets Being Depreciated	<u>4,174,336</u>	<u>1,506,408</u>	<u>696,789</u>	<u>4,983,955</u>
Total Net Capital Assets	<u>\$ 4,247,709</u>	<u>\$ 1,506,408</u>	<u>\$ 696,789</u>	<u>\$ 5,057,328</u>

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

	<u>Amount</u>
Net Equipment Expense	
Direct Equipment	\$ 322,530
Indirect Equipment	
Shop Building	10,413
Storage Building	36,446
Shop Equipment	5,261
Net Administrative Expense	
Buildings	2,839
Office Equipment and Furniture	3,672
Engineers Equipment	274
Infrastructure	<u>315,354</u>
Total Depreciation Expense	<u><u>\$ 696,789</u></u>

### NOTE G--LONG-TERM DEBT

The individual long-term debt and other long-term obligations of Ontonagon County, and the changes therein, may be summarized as follows:

#### Primary Government Long-Term Debt

	<u>Balances</u> <u>10/01/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>09/30/07</u>	<u>Due in One</u> <u>Year</u>
<u>Governmental Activities</u>				
Loans Payable				
Michigan Strategic Fund Renaissance Park				
Fund loan for infrastructure improvements at				
the White Pine Industrial Park, \$191,700 at				
5% payable as detailed below.	\$ 64,226	\$ (8,564)	\$ 55,662	\$ 8,563
Accrued Employee Benefits (See Note H)	<u>143,659</u>	<u>2,817</u>	<u>146,476</u>	<u>          </u>
Total Long-Term Debt--Primary Government	<u><u>\$ 207,885</u></u>	<u><u>\$ (5,747)</u></u>	<u><u>\$ 202,138</u></u>	<u><u>\$ 8,563</u></u>



# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE G--LONG-TERM DEBT (Continued)

The long-term debt of the Road Commission may be summarized as follows:

	<u>Balances</u> <u>10/01/06</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>09/30/07</u>
Accrued Employee Benefits (See Note H)	<u>\$ 602,360</u>	<u>\$ (53,257)</u>	<u>\$ 549,103</u>
Total	<u><u>\$ 602,360</u></u>	<u><u>\$ (53,257)</u></u>	<u><u>\$ 549,103</u></u>

The Michigan Strategic Fund (MSF) loan was made jointly to Ontonagon County and Carp Lake Township (recipients) in accordance with an Economic Development Financing Agreement. A letter from the Michigan Economic Development Corporation to the Ontonagon County Economic Development Corporation dated June 3, 2004 provides, in part, as follows: The information submitted is satisfactory, and we now consider this project complete and closed. Sufficient documentation regarding the job creation has been received so that the interest on the loan has been waived and the maximum credit (50%) has been awarded to the county/township. Even though this project is closed, the county and the township continue to be obligated for repayment of the loan portion of the agreement which amounted to \$95,850, payable in quarterly installments of \$2,140.86 beginning effective August 1, 2004, to the year 2014. The loan is secured by a revenue sharing pledge agreement. The following is a schedule of the principal payments.

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Fiscal</u> <u>Year</u>	<u>Principal</u>
2008	\$ 8,563	2012	\$ 8,563
2009	8,564	2013	8,564
2010	8,563	2014	4,281
2011	8,564		
Total			<u><u>\$ 55,662</u></u>

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE H--COMPENSATED ABSENCES

#### Accrued Vacation and Sick Leave Payable

The County and Road Commission (component unit) has an accrued liability to their employees for accumulated vacation and vested sick leave benefits as of September 30, 2007, as follows:

	<u>Vacation</u>	<u>Sick Leave</u>	<u>Total</u>
Primary Government			
County General Employees	\$ 60,017	\$ 21,534	\$ 81,551
Sheriff Department Employees	<u>39,626</u>	<u>25,299</u>	<u>64,925</u>
Total Primary Government	<u>\$ 99,643</u>	<u>\$ 46,833</u>	<u>\$ 146,476</u>
Component Unit--Road Commission			
Road Commission Employees	<u>\$ 73,292</u>	<u>\$ 475,811</u>	<u>\$ 549,103</u>
Total Component Unit	<u>\$ 73,292</u>	<u>\$ 475,811</u>	<u>\$ 549,103</u>
Total Accrued Employee Benefits Payable--Reporting Entity	<u>\$ 172,935</u>	<u>\$ 522,644</u>	<u>\$ 695,579</u>

### VACATION BENEFIT POLICIES

#### County General, Sheriff Department and Public Transit Employees

The county's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. Vacation benefits earned are credited to each employee on a biweekly basis. The county has not established a formal policy regarding a maximum authorized accumulation of vacation hours.

#### Road Commission Employees

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. The annual vacation benefits earned by each employee are credited on the employee's employment anniversary date. Employees are required to use their vacation benefits within 1 year, except for those employees earning 3 or 4 weeks of vacation may be paid at their anniversary date for any unused portion of those weeks at their regular rate of pay, with the approval of the engineer or foreman.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE H--COMPENSATED ABSENCES (Continued)

##### SICK LEAVE BENEFIT POLICIES

###### County General, Sheriff Department and Public Transit Employees

The county's employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with a maximum accumulation of 100 days. The county's policy for county general and public transit employees provides that upon death, retirement, or voluntary termination employees shall be paid for 20% of all unused sick days to a maximum of 100 days. Sheriff department employees are paid for 50% of their accumulated sick leave benefits when they separate from employment, except when dismissed for cause, in which case, they are entitled to a payment of 25% of their accumulated benefits.

###### Road Commission Employees

Road Commission employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with an unlimited accumulation. Upon permanent separation from employment, employees hired prior to July 1, 1994 shall be paid at their regular rate of pay for 100% of any accumulated unused sick leave. Those employees hired after July 1, 1994 shall be paid for a maximum of 80 days of accumulated unused sick leave.

#### NOTE I--DEFERRED COMPENSATION

The County and Road Commission offers all its employees a choice of three deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans were held in trust, (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (county and road commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County or Road Commission's financial statements.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE J--EMPLOYEES' RETIREMENT PLANS

##### Description of Plan and Plan Assets

Ontonagon County and the two component units (Ontonagon County Economic Development Corporation (EDC) and Ontonagon County Road Commission) have separate agent multiple-employer defined benefit pension plans with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The plan's pension service requirements are computed using credited service at the time of termination of membership multiplied by the sum of 2% for county general and nonunion employees, 2.5% for sheriff department employees, 2% for EDC employees and 2.5% for road commission employees times the final average compensation. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended, (MCL 46.12a). MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

##### Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County and Road Commission's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The calendar year 2006 required pension contributions were 12.45%, 17.76%, 11.18%, 14.99% and 24.94% of covered payroll for the county as follows: general group, sheriff, nonunion, EDC and the Road Commission, respectively.

##### Annual Pension Cost

For the calendar year ended December 31, 2006, the annual pension costs were \$189,898 for the county, \$4,864 for the EDC, and \$492,469 for the Road Commission which was equal to their required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE J--EMPLOYEES' RETIREMENT PLANS (Continued)

#### Three-Year Trend Information for GASB Statement No. 27

Year Ended December 31	Annual Pension Cost (APC)			Percentage of APC Contributed			Percentage of APC Contributed		
	County	EDC	Road	County	EDC	Road	County	EDC	Road
2004	\$ 177,202	\$ 5,071	\$ 441,159	100%	100%	100%	\$0	\$0	\$0
2005	162,796	5,064	437,079	100%	100%	100%	\$0	\$0	\$0
2006	189,898	4,864	492,469	100%	100%	100%	\$0	\$0	\$0

#### Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1)-(2)	Funded Ratio (1)/(2)	Covered Payroll	UAAL as a Percent of Covered Payroll
2004						
General	\$4,589,928	\$ 5,860,425	\$ (1,270,497)	78%	\$ 1,415,133	90%
EDC	68,113	78,417	(10,304)	87%	31,793	32%
Road	6,989,561	12,980,945	(5,991,384)	54%	1,938,943	309%
2005						
General	4,852,764	6,136,107	(1,283,343)	79%	1,394,532	92%
EDC	77,973	85,726	(7,753)	91%	32,278	24%
Road	7,456,991	13,496,546	(6,039,555)	55%	1,968,501	307%
2006						
General	5,231,604	6,532,906	(1,301,302)	80%	1,475,917	88%
EDC	85,010	112,243	(27,233)	76%		
Road	8,084,136	14,866,993	6,782,857	54%	1,834,676	370%

### NOTE K--POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note J, the Ontonagon County Road Commission provides post-employment health care benefits and life insurance benefits in accordance with the provisions of Article 14, Section 2(E), and Section 4 of the union agreement. The post-employment health care benefit provides that the Road Commission shall pay the full hospitalization insurance plan premium for the retirees and spouses for a five-year period from the date of retirement. The Road Commission will pay 25% of the premium on a Blue Cross/Blue Shield Supplemental Insurance Plan or alternate plan capping the alternate plan at 25% of the offered Blue Cross Plan for the retirees and their spouses. The post-employment life insurance benefit provides that the Road Commission will provide for term-life insurance coverage of \$1,500 for each Road Commission employee who retired prior to July 1, 1992, and \$5,000 for those retired after that date.

## COUNTY OF ONTONAGON

### NOTES TO FINANCIAL STATEMENTS

#### NOTE K--POST-EMPLOYMENT BENEFITS (Continued)

The Road Commission's policy is to finance these benefits on a pay-as-you-go basis. During the year ended September 30, 2007, 19 retirees were eligible for the post-retirement health care benefits at a cost of \$170,836. The Road Commission self-insures for life insurance benefits, which covered 9 retirees for \$1,500, 12 retirees for \$5,000 and 14 retirees for \$10,000 during the year ended September 30, 2007.

#### NOTE L--RISK MANAGEMENT

The County and Road Commission (component unit) is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees.

##### County General

The county board of commissioners purchased commercial insurance for property, liability, errors and omissions, medical benefit claims and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

##### Road Commission (Component Unit)

The Road Commission purchased commercial insurance for medical benefit claims, self-insure for employee group life coverage as detailed in Note M, and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents) and workers compensation. Settled claims for the commercial and pool insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Ontonagon County Road Commission became a charter member on October 1, 2001.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

# COUNTY OF ONTONAGON

## NOTES TO FINANCIAL STATEMENTS

### NOTE M--RESERVE FOR SELF-INSURANCE--ROAD COMMISSION

The Ontonagon County Board of Road Commissioners' policy is to self-insure for employee group life coverage. The self-insurance reserve account was established in 1992, and is funded by annual transfers of amounts equal to what the approximate premium would be for life insurance coverage, plus the annual interest earnings on the reserve account balance. The Road Commission's policy provides that the transfers of premium amounts will be discontinued when the annual interest earnings on the reserve account is greater than the estimated premium cost. All group life benefit payments are expensed when paid and closed to the reserve account at year end.

A summary of the changes in the reserve for self-insurance for the year ended September 30, 2007 is as follows:

Reserve Balance--October 1, 2006	\$ 115,797
Less: 2006/2007 Death Benefit Payment	<u>(1,500)</u>
Reserve Balance--September 30, 2007	<u><u>\$ 114,297</u></u>

### NOTE N--TRANSFERS IN AND TRANSFERS (OUT)

The 2007 operating transfers from Exhibits D, F and J can be summarized as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers (Out)</u>
Primary Government		Primary Government	
General	\$260,564	Revenue Sharing	\$ 159,207
		Nonmajor Governmental	1,357
		100% Tax Payment	<u>100,000</u>
Subtotal	\$260,564	Subtotal	\$260,564
Revenue Sharing	389,663	General	407,409
Nonmajor Governmental	<u>17,746</u>		
Subtotal	<u>\$407,409</u>	Subtotal	<u>\$407,409</u>
Total Primary Government	<u><u>\$667,973</u></u>	Total Primary Government	<u><u>\$667,973</u></u>
Component Unit		Primary Government	
Economic Development		Economic Development	
Corporation	<u>\$ 20,774</u>	Revolving Loan	<u>\$ 20,774</u>
Total Component Unit	<u><u>\$ 20,774</u></u>	Total Primary Government	<u><u>\$ 20,774</u></u>
Total Reporting Entity	<u><u>\$688,747</u></u>		<u><u>\$688,747</u></u>

**ONTONAGON COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT K**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes and Penalties	\$ 1,701,445	\$ 2,169,972	\$ 2,242,141	\$ 72,169
Licenses and Permits	3,050	3,050	2,234	(816)
Federal Grants	180,788	162,153	154,587	(7,566)
State Grants	435,544	460,592	449,430	(11,162)
Township Contributions	-	4,282	4,282	-
Charges for Services	326,975	368,760	358,771	(9,989)
Fines and Forfeits	4,000	1,500	1,250	(250)
Interest and Rentals	17,100	17,100	13,206	(3,894)
Other Revenue	34,082	36,800	32,696	(4,104)
<b>Total Revenues</b>	<b>2,702,984</b>	<b>3,224,209</b>	<b>3,258,597</b>	<b>34,388</b>
<b>Expenditures</b>				
Current				
General Government	1,748,275	1,848,111	1,833,392	14,719
Public Safety	925,867	918,085	912,158	5,927
Public Works	18,702	19,332	19,262	70
Health and Welfare	157,795	163,227	161,884	1,343
Community and Economic Development	7,624	7,624	7,624	-
Recreation and Cultural	18,025	26,025	25,534	491
Other	57,650	54,650	54,170	480
Capital Outlay	-	31,090	30,348	742
Debt Service--Principal	8,564	8,564	8,564	-
<b>Total Expenditures</b>	<b>2,942,502</b>	<b>3,076,708</b>	<b>3,052,936</b>	<b>23,772</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(239,518)</b>	<b>147,501</b>	<b>205,661</b>	<b>58,160</b>
<b>Other Financing Sources (Uses)</b>				
Interfund Transfers In--Primary Government	259,537	260,255	260,564	309
Interfund Transfers (Out)	(19,672)	(407,409)	(407,409)	-
<b>Total Other Financing Sources (Uses)</b>	<b>239,865</b>	<b>(147,154)</b>	<b>(146,845)</b>	<b>309</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>347</b>	<b>347</b>	<b>58,816</b>	<b>58,469</b>
<b>Fund Balance--October 1, 2006</b>	<b>269,988</b>	<b>336,318</b>	<b>336,318</b>	<b>-</b>
<b>Fund Balance--September 30, 2007</b>	<b>\$ 270,335</b>	<b>\$ 336,665</b>	<b>\$ 395,134</b>	<b>\$ 58,469</b>



**ONTONAGON COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC TRANSIT--MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT L**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 200,635	\$ 200,635	\$ 216,533	\$ 15,898
Federal Grants	181,765	186,173	91,441	(94,732)
State Grants	207,525	207,525	207,370	(155)
Charges for Services	64,975	64,975	59,327	(5,648)
Interest and Rents	2,500	2,500	4,088	1,588
Total Revenues	<u>657,400</u>	<u>661,808</u>	<u>578,759</u>	<u>(83,049)</u>
Expenditures				
Public Works	537,400	551,808	531,108	20,700
Capital Outlay	120,000	110,000	-	110,000
Total Expenditures	<u>657,400</u>	<u>661,808</u>	<u>531,108</u>	<u>130,700</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>-</u>	<u>47,651</u>	<u>47,651</u>
Fund Balances--October 1, 2006	<u>191,747</u>	<u>191,747</u>	<u>191,747</u>	<u>-</u>
Fund Balances--September 30, 2007	<u>\$ 191,747</u>	<u>\$ 191,747</u>	<u>\$ 239,398</u>	<u>\$ 47,651</u>

**ONTONAGON COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**911 SERVICE--MAJOR SPECIAL REVENUE FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT M**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
State Grants	\$ 85,000	\$ 85,000	\$ 96,235	\$ 11,235
Charges for Services	53,820	53,820	45,892	(7,928)
Total Revenues	138,820	138,820	142,127	3,307
Expenditures				
Public Safety	95,155	95,155	73,907	21,248
Capital Outlay	10,000	10,000	-	10,000
Total Expenditures	105,155	105,155	73,907	31,248
Excess of Revenues Over (Under) Expenditures	33,665	33,665	68,220	34,555
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	33,665	33,665	68,220	34,555
Fund Balances--October 1, 2006	305,724	358,995	358,995	-
Fund Balances--September 30, 2007	<u>\$ 339,389</u>	<u>\$ 392,660</u>	<u>\$ 427,215</u>	<u>\$ 34,555</u>

**ONTONAGON COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**ECONOMIC DEVELOPMENT REVOLVING LOAN FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT N**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Interest and Rents	\$ 26,000	\$ 26,000	\$ 23,530	\$ 21,478
Other	85,000	85,000	67,872	(17,128)
Total Revenues	111,000	111,000	91,402	(19,598)
Expenditures				
Community and Economic Development	-	180,000	180,000	-
Total Expenditures	-	180,000	180,000	-
Excess of Revenues Over (Under)				
Expenditures	111,000	(69,000)	(88,598)	(19,598)
Other Financing Sources (Uses)				
Operating Transfers (Out)--Primary Government	-			-
Operating Transfers (Out)--Component Unit	(23,000)	(23,000)	(20,774)	2,226
Total Other Financing Sources (Uses)	(23,000)	(23,000)	(20,774)	2,226
Excess of Revenues and Other				
Sources Over (Under)				
Expenditures and Other Uses	88,000	(92,000)	(109,372)	(17,372)
Fund Balances--October 1, 2006	264,472	356,472	356,472	-
Fund Balances--September 30, 2007	<u>\$ 352,472</u>	<u>\$ 264,472</u>	<u>\$ 247,100</u>	<u>\$ (17,372)</u>

**ONTONAGON COUNTY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**REVENUE SHARING FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT O**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Interest and Rents		\$ 1,207	\$ 6,396	\$ 5,189
Total Revenues	\$ -	1,207	6,396	5,189
Excess of Revenues Over (Under)				
Expenditures	-	1,207	6,396	5,189
Other Financing Sources (Uses)				
Operating Transfers:				
Transfers In--Primary Government	431,500	431,500	389,663	(41,837)
Transfers (Out)--Primary Government	(158,000)	(159,207)	(159,207)	-
Total Other Financing Sources (Uses)	273,500	272,293	230,456	(41,837)
Excess of Revenues and Other Sources Over (Under)				
Expenditures and Other Uses	273,500	273,500	236,852	(36,648)
Fund Balances--October 1, 2006	495,157	453,454	453,454	-
Fund Balances--September 30, 2007	\$ 768,657	\$ 726,954	\$ 690,306	\$ (36,648)

**ONTONAGON COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2007**

**EXHIBIT P**

	<b>SPECIAL REVENUE FUNDS--NON-MAJOR</b>						
	Friend of the Court	County Forestry	Register of Deeds Automation	Budget Stabilization	Community Action Agency	Senior Citizens	Correction Officer Training
<b><u>ASSETS</u></b>							
Cash	\$ 5,843	\$ 15,644	\$ 1,189	\$ 51,024	\$ 21,759	\$ 39,643	\$ 7,490
Accounts Receivable							
Due From State of Michigan							
Prepaid Expense							
Total Assets	<u>\$ 5,843</u>	<u>\$ 15,644</u>	<u>\$ 1,189</u>	<u>\$ 51,024</u>	<u>\$ 21,759</u>	<u>\$ 39,643</u>	<u>\$ 7,490</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Liabilities							
Accounts Payable							
Due to State of Michigan	\$ 698						
Stumpage Deposits Payable		\$ 200					
Accrued Wages Payable							
Deferred Revenue--Other							
Total Liabilities	<u>698</u>	<u>200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances							
Unreserved and Undesignated	<u>5,145</u>	<u>15,444</u>	<u>1,189</u>	<u>51,024</u>	<u>21,759</u>	<u>39,643</u>	<u>7,490</u>
Total Fund Balances	<u>5,145</u>	<u>15,444</u>	<u>1,189</u>	<u>51,024</u>	<u>21,759</u>	<u>39,643</u>	<u>7,490</u>
Total Liabilities and Fund Balances	<u>\$ 5,843</u>	<u>\$ 15,644</u>	<u>\$ 1,189</u>	<u>\$ 51,024</u>	<u>\$ 21,759</u>	<u>\$ 39,643</u>	<u>\$ 7,490</u>

**ONTONAGON COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2007**

**EXHIBIT P  
(CONTINUED)**

<b>SPECIAL REVENUE FUNDS--NON-MAJOR</b>						
	Law Library	County Library Board	Housing Rehab Grant 2005-06	Probate Child Care	Veterans' Trust	Carl Thornton Endowment
						Total
<b><u>ASSETS</u></b>						
Cash	\$1,497		\$ 6,365	\$20,852	\$ (198)	\$ 53,511
Accounts Receivable	347			123		470
Due From State of Michigan				13,708	270	13,978
Prepaid Expense						-
Total Assets	\$1,844	\$ -	\$ 6,365	\$34,683	\$ 72	\$ 53,511
						\$239,067
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities						
Accounts Payable	\$1,597			\$ 5,378		\$ 6,975
Due to State of Michigan					\$ 3,405	4,103
Stumpage Deposits Payable						200
Accrued Wages Payable				562		562
Deferred Revenue--Other			\$ 6,365			6,365
Total Liabilities	1,597	\$ -	6,365	5,940	\$ -	3,405
						18,205
Fund Balances						
Unreserved and Undesignated	247	-	-	28,743	72	50,106
						220,862
Total Fund Balances	247	-	-	28,743	72	50,106
						220,862
Total Liabilities and Fund Balances	\$1,844	\$ -	\$ 6,365	\$34,683	\$ 72	\$ 53,511
						\$239,067

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT Q**

SPECIAL REVENUE FUNDS--NON-MAJOR FUNDS						
	Friend of the Court	County Forestry	Register of Deeds Automation	Budget Stabilization	Community Action Agency	Senior Citizens Correction Officer Training
Revenues						
Taxes					\$ 64,858	\$ 107,157
Federal Grants						
State Grants						
Charges for Services	\$ 550		\$12,600			\$1,800
Fines and Forfeits						
Interest and Rents			257			
Other						
Total Revenues	550	\$ -	12,857	\$ -	64,858	107,157 1,800
Expenditures						
Current						
General Government	92		13,309			
Public Works						
Health and Welfare					61,250	107,412
Community and Economic Development						
Recreation and Cultural						
Capital Outlay						
Total Expenditures	92	-	13,309	-	61,250	107,412 -
Excess of Revenues Over (Under) Expenditures	458	-	(452)		3,608	(255) 1,800
Other Financing Sources (Uses)						
Operating Transfers In--Primary Government						
Operating Transfers (Out)--Primary Government	(1,357)					
Total Other Financing Sources (Uses)	(1,357)	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(899)	-	(452)	-	3,608	(255) 1,800
Fund Balances--October 1, 2006	6,044	15,444	1,641	51,024	18,151	39,898 5,690
Fund Balances--September 30, 2007	\$ 5,145	\$ 15,444	\$ 1,189	\$ 51,024	\$ 21,759	\$ 39,643 \$7,490

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT Q**  
**(CONTINUED)**

SPECIAL REVENUE FUNDS--NON-MAJOR FUNDS						
	Law Library	County Library Board	Housing Rehab Grant 2005-06	Probate Child Care	Veterans' Trust	Carl Thornton Endowment
						Total
Revenues						
Taxes						\$ 172,015
Federal Grants			\$ 74,245	\$ 35,467		271,026
State Grants				23,223	\$ 5,454	63,964
Charges for Services					35,287	14,950
Fines and Forfeits	\$ 2,000	\$ 20,176				22,176
Interest and Rents		173				430
Other	4,479		3,500	15,507		23,486
Total Revenues	6,479	20,349	77,745	74,197	5,454	568,047
Expenditures						
Current						
General Government	15,939					29,340
Public Works						11,028
Health and Welfare				76,523	5,460	250,645
Community and Economic Development			77,745			77,745
Recreation and Cultural		20,349				20,349
Capital Outlay						191,596
Total Expenditures	15,939	20,349	77,745	76,523	5,460	580,703
Excess of Revenues Over (Under) Expenditures	(9,460)	-	-	(2,326)	(6)	(12,656)
Other Financing Sources (Uses)						
Operating Transfers In--Primary Government	9,500			8,246		17,746
Operating Transfers (Out)--Primary Government						(1,357)
Total Other Financing Sources (Uses)	9,500	-	-	8,246	-	16,389
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	40	-	-	5,920	(6)	3,733
Fund Balances--October 1, 2006	207	-	-	22,823	78	217,129
Fund Balances--September 30, 2007	\$ 247	\$ -	\$ -	\$ 28,743	\$ 72	\$ 220,862



**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**September 30, 2007**

**EXHIBIT R**

	<b>BUSINESS-TYPE ACTIVITIES--NON-MAJOR ENTERPRISE FUNDS</b>				
	<b>100% TAX PAYMENT FUNDS</b>				Total
	Foreclosure Fund	2003	2004	2005	Non-Major Enterprise Funds
<b><u>ASSETS</u></b>					
Current Assets					
Cash	\$ 128,980	\$ 236	\$ 85	\$ 540	\$ 129,841
Delinquent Taxes Receivable		14	7,257	66,982	74,253
Forfeiture Certificate Fee Receivable		60	(2,289)	1,240	(989)
Total Current Assets	128,980	310	5,053	68,762	203,105
Total Assets	\$ 128,980	\$ 310	\$ 5,053	\$ 68,762	\$ 203,105
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Redemption Certificate Fees Receivable		\$ (180)	\$ (1,506)	\$ (410)	\$ (2,096)
Total Current Liabilities	\$ -	(180)	(1,506)	(410)	(2,096)
Noncurrent Liabilities					
Advance From General Fund					-
Total Noncurrent Liabilities	-	-	-	-	-
Total Liabilities	-	(180)	(1,506)	(410)	(2,096)
<b><u>NET ASSETS</u></b>					
Restricted Net Assets	128,980				128,980
Unrestricted Net Assets		490	6,559	69,172	76,221
Total Net Assets	\$ 128,980	\$ 490	\$ 6,559	\$ 69,172	\$ 205,201

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT S**

	<b>BUSINESS-TYPE ACTIVITIES--NON-MAJOR ENTERPRISE FUNDS</b>				
	<b>100% TAX PAYMENT FUNDS</b>			Total	
	Foreclosure	2003	2004	2005	Non-Major Enterprise Funds
	Fund				Funds
Operating Revenues					
Interest and Penalties on Taxes		\$ 398	\$ 25,259	\$ 50,156	\$ 75,813
Other Foreclosure Fees and Charges	\$ 91,075				91,075
Total Operating Revenues	91,075	398	25,259	50,156	166,888
Operating Expenses					
Supplies and Postage	3,882				3,882
Contract Services	12,829				12,829
Filing and Visitation Fees	2,843				2,843
Advertising	2,089			1026	3,115
Total Operating Expenses	21,643	-	-	1,026	22,669
Net Operating Income (Loss)					
Before Operating Transfers	69,432	398	25,259	49,130	144,219
Interfund Transfers					
Transfers (Out) to General Fund		(1,500)	(90,500)	(8,000)	(100,000)
Change in Net Assets	69,432	(1,102)	(65,241)	41,130	44,219
Net Assets--October 1, 2006	59,548	1,592	71,800	28,042	160,982
Net Assets--September 30, 2007	\$ 128,980	\$ 490	\$ 6,559	\$ 69,172	\$ 205,201

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT T**

	BUSINESS-TYPE ACTIVITIES--NON-MAJOR ENTERPRISE FUNDS				
	100% TAX PAYMENT FUNDS				
	Foreclosure Fund	2003	2004	2005	Total Enterprise Funds
Cash Flows From Operating Activities					
Interest and Penalties on Taxes		\$ 398	\$ 25,259	\$ 50,156	\$ 75,813
Other Fees	\$ 91,075				91,075
Operating Expenses	(21,643)			(1,026)	(22,669)
Delinquent Taxes Collected		783	66,507	287,729	355,019
Net Cash Provided by Operating Activities	69,432	1,181	91,766	336,859	499,238
Cash Flows From Noncapital Financing Activities					
Return of Advances From Other Funds			(3,000)	(327,000)	(330,000)
(Increase) or Decrease in Forfeiture					
Certificate Fee Receivable		50	1,316	(1,240)	126
Increase or (Decrease) in Redemption					
Certificate Payable			70	(410)	(340)
Transfers In (Out)		(1,500)	(90,500)	(8,000)	(100,000)
Net Cash Provided by Noncapital Financing Activities	-	(1,450)	(92,114)	(336,650)	(430,214)
Net Increase (Decrease) in Cash and Cash Equivalents	69,432	(269)	(348)	209	69,024
Cash and Cash Equivalents at Beginning of Year	59,548	505	433	331	60,817
Cash and Cash Equivalents at End of Year	\$ 128,980	\$ 236	\$ 85	\$ 540	\$ 129,841
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 69,432	\$ 398	\$ 25,259	\$ 49,130	\$ 144,219
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
(Increase) Decrease in Taxes Receivable		783	66,507	287,729	355,019
Net Cash Provided by Operating Activities	\$ 69,432	\$ 1,181	\$ 91,766	\$ 336,859	\$ 499,238

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF FIDUCIARY**  
**NET ASSETS--AGENCY FUNDS**  
**September 30, 2007**

**EXHIBIT U**

**AGENCY FUNDS**

**ASSETS**

	General Agency	Library (Penal Fines) Fund	Total
Cash	\$769,338	\$12,501	\$781,839
Total Assets	\$769,338	\$12,501	\$781,839

**LIABILITIES AND FUND BALANCE**

Liabilities			
Due to Other Funds	\$ (554)		\$ (554)
Due to Schools	(8,415)		(8,415)
Due to Townships	(902)		(902)
Due to Villages	922		922
Due to State of Michigan	757,758		757,758
Undistributed Interest	-	\$ 106	106
Undistributed Penal Fines	-	12,395	12,395
Undistributed Tax Collections	407		407
Other Trust Payable	20,122		20,122
Total Liabilities	769,338	12,501	781,839
Total Liabilities and Fund Balances	\$769,338	\$12,501	\$781,839

**ONTONAGON COUNTY**  
**COMBINING SCHEDULE OF CHANGES IN**  
**ASSETS AND LIABILITIES--AGENCY FUNDS**  
**For the Year Ended September 30, 2007**

**EXHIBIT V**

	Balance 10/01/06	Additions	Deductions	Balance 09/30/07
<b><u>GENERAL AGENCY FUND</u></b>				
Assets				
Cash	\$ 534,334	\$ 6,485,798	\$ 6,250,794	\$ 769,338
Total Assets	\$ 534,334	\$ 6,485,798	\$ 6,250,794	\$ 769,338
Liabilities				
Due to Other Funds	\$ (2,299)	\$ 3,382,568	\$ 3,380,823	\$ (554)
Due to Schools	(15,961)	520,652	513,106	(8,415)
Due to Townships	(234)	139,882	140,550	(902)
Due to Villages	735	149,085	148,898	922
Due to State	542,730	2,246,934	2,031,906	757,758
Due to Federal		464,902	464,902	-
Undistributed Tax Collections	533	4,787,276	4,787,402	407
Other Trust Payable	8,830	459,405	448,113	20,122
Total Liabilities	\$ 534,334	\$12,150,704	\$ 11,915,700	\$ 769,338
<b><u>LIBRARY PENAL FINE FUND</u></b>				
Assets				
Cash	\$ 10,519	\$ 51,161	\$ 49,179	\$ 12,501
Liabilities				
Undistributed Interest	\$ 110	\$ 594	\$ 598	\$ 106
Undistributed Penal Fines	10,409	50,567	48,581	12,395
Total Liabilities	\$ 10,519	\$ 51,161	\$ 49,179	\$ 12,501

**ONTONAGON COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING**  
**SOURCES--BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT W**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Taxes and Penalties</b>				
Current Property Taxes	\$ 1,152,780	\$ 1,726,646	\$ 1,782,455	\$ 55,809
State Payment in-Lieu-of Taxes	63,300	47,200	62,939	15,739
Industrial Facilities Tax	11,375	11,375	11,375	-
Delinquent Real Property Taxes	85,000	-	-	-
Delinquent Personal Property Taxes	1,000	1,000	2,565	1,565
Commercial Forest Yield Tax	2,000	2,000	261	(1,739)
Commercial Forest Reserve Tax	60,000	60,000	59,459	(541)
Tax Exempt Housing	1,395	1,395	1,837	442
Swamp Lands Tax	33,895	33,895	33,895	-
Payment in-Lieu-of Taxes	290,000	285,761	285,761	-
Interest and Penalties on Taxes	700	700	1,594	894
<b>Total Taxes and Penalties</b>	<b>1,701,445</b>	<b>2,169,972</b>	<b>2,242,141</b>	<b>72,169</b>
<b>Licenses and Permits</b>				
Marriage Licenses	300	300	290	(10)
Dog Licenses	1,200	1,200	1,040	(160)
Pistol Permits	1,000	1,000	494	(506)
Handgun Purchase Permits	400	400	305	(95)
Kennel Licenses	150	150	105	(45)
<b>Total Licenses and Permits</b>	<b>3,050</b>	<b>3,050</b>	<b>2,234</b>	<b>(816)</b>
<b>Federal Grants</b>				
USDA Patrol Car Grant	-	18,150	18,000	(150)
Emergency Services	7,500	7,500	5,187	(2,313)
Homeland Security Grants	40,564	4,600	4,530	(70)
ADC Incentive	13,000	10,397	12,932	2,535
Medical Support Enforcement	4,822	4,822	4,684	(138)
Cooperative Reimbursement	114,902	116,684	109,254	(7,430)
<b>Total Federal Grants</b>	<b>180,788</b>	<b>162,153</b>	<b>154,587</b>	<b>(7,566)</b>
<b>State Grants</b>				
Probate Judge Salary	146,804	101,080	94,195	(6,885)
Juvenile Officer Grant	27,317	27,317	27,317	-
Judicial Salary Standardization	12,803	58,527	58,527	-
Court Caseload Assistance	3,000	3,000	3,207	207
Court Funding	45,000	35,865	35,865	-
Crime Victims' Assistance	4,000	4,000	5,000	1,000
Secondary Road Patrol	49,000	49,000	49,128	128
Marine Safety	4,950	2,950	1,466	(1,484)
Snowmobile Safety Program	9,095	3,257	3,257	-
Off-Road Vehicle Safety Program	5,200	2,000	-	(2,000)
MDOT Highway Safety Program	2,000	-	-	-
Prosecutor Welfare Fraud	500	500	225	(275)
Act 302 Training	2,200	2,200	2,067	(133)
Diverted Felons Program	100	500	485	(15)
Convention Facility Liquor Tax	34,208	32,585	32,585	-
State Cigarette Tax	4,367	4,617	4,617	-
Juror Compensation	-	-	275	275
Remuneration Grant	85,000	133,194	131,214	(1,980)
<b>Total State Grants</b>	<b>435,544</b>	<b>460,592</b>	<b>449,430</b>	<b>(11,162)</b>
<b>Contributions From Local Units</b>				
Township Contributions	-	4,282	4,282	-

**ONTONAGON COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING**  
**SOURCES--BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT W**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Charges for Services				
Circuit Court Costs	3,450	5,350	5,261	(89)
Circuit Court Probation Fees	500	885	885	-
District Court Costs	98,000	98,000	95,883	(2,117)
District Court Oversight Fees	10,000	10,000	9,648	(352)
Probate Court Costs	500	500	508	8
Board and Care of Dogs and Cats	100	100	222	122
Circuit Court Services	2,500	2,500	2,289	(211)
Friend of the Court Services	5,000	5,000	4,408	(592)
Probate Court Services	7,000	7,000	4,815	(2,185)
Treasurer Services	1,400	2,200	1,937	(263)
Clerk Services	10,000	13,000	13,267	267
Register of Deeds' Services	33,125	33,125	31,433	(1,692)
Real Estate Transfer Tax	32,000	48,000	47,986	(14)
District Court Civil Fees	3,000	3,500	3,581	81
Sheriff Services	22,600	33,800	30,429	(3,371)
Soil Erosion Fees	2,500	1,500	1,230	(270)
Marriage Counseling Fees	500	500	640	140
Record Copying	11,000	11,000	11,342	342
Prisoner Board	7,000	16,500	16,525	25
Tax Department Services	32,200	32,200	32,390	190
Airport Use Fees	6,000	3,000	3,325	325
Salvage Inspection Fees	3,000	3,000	2,600	(400)
Sales of Supplies and Maps	100	100	96	(4)
Sale of Scrap and Salvage	500	500	450	(50)
Sale of Aviation Fuel	5,000	5,000	4,381	(619)
Park Fees	30,000	32,500	33,240	740
Total Charges for Services	326,975	368,760	358,771	(9,989)
Fines and Forfeits				
Bond and Other Forfeitures	4,000	1,500	1,250	(250)
Interest and Rents				
Interest Earned on Deposits	12,000	12,000	10,806	(1,194)
Rental Income	5,100	5,100	2,400	(2,700)
Total Interest and Rents	17,100	17,100	13,206	(3,894)
Other Revenues				
Sale of Capital Assets	1,300	1,300	-	(1,300)
Contributions--Public Sources	7,282	3,000	-	(3,000)
Transporting Patients	3,000	5,500	4,019	(1,481)
Election Expense Reimbursements	4,500	9,000	9,555	555
General Reimbursements and Refunds	16,000	16,000	17,150	1,150
Vending and Pay Phone Commissions	2,000	2,000	1,972	(28)
Total Other Revenues	34,082	36,800	32,696	(4,104)
Total Revenue	2,702,984	3,224,209	3,258,597	34,388
Other Financing Sources				
Operating Transfers In				
Friend of the Court Fund	1,037	1,037	1,357	320
Register of Deeds Automation Fund	5,000	-	-	-
Revenue Sharing	158,000	159,207	159,207	-
100% Tax Payment Funds	95,500	100,011	100,000	(11)
Total Other Financing Sources	259,537	260,255	260,564	309
Total Revenues and Other Financing Sources	\$ 2,962,521	\$ 3,484,464	\$ 3,519,161	\$ 34,697

**ONTONAGON COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT X**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
<b>General Government</b>				
Board of Commissioners	\$ 52,849	\$ 45,877	\$ 44,984	\$ 893
Circuit Court	38,365	54,765	53,575	1,190
District Court	149,636	157,056	155,448	1,608
Friend of the Court	161,313	175,677	174,377	1,300
Jury Board	1,922	2,722	2,706	16
Probate Court	286,479	280,099	279,145	954
Family Counseling	2,000	-	-	-
Elections	10,790	16,454	16,384	70
Clerk/Register of Deeds	143,564	143,802	143,231	571
Accounting Department	74,214	73,646	73,089	557
Equalization Department	182,421	184,987	183,862	1,125
Prosecuting Attorney	185,591	193,039	192,214	825
Tax Processing	11,383	11,383	10,516	867
Remonumentation Program	85,000	133,194	131,214	1,980
Treasurer	152,404	155,117	155,060	57
Cooperative Extension Service	56,164	57,047	56,903	144
Courthouse and Grounds	99,906	103,172	103,023	149
Soil Survey	2,300	2,300	2,294	6
Soil Conservation	2,375	2,375	2,375	-
Soil Erosion Control	1,964	964	40	924
Resource Conservation and Development	325	325	325	-
Record Copying	3,800	4,100	4,008	92
Central Supply	1,400	1,800	1,779	21
Computer Network	12,480	17,080	17,074	6
County Audit	17,630	17,630	16,472	1,158
Consultant Fees	12,000	13,500	13,294	206
<b>Total General Government</b>	<b>1,748,275</b>	<b>1,848,111</b>	<b>1,833,392</b>	<b>14,719</b>
<b>Public Safety</b>				
Sheriff	475,988	543,698	540,844	2,854
Secondary Road Patrol	56,701	55,151	54,445	706
Snowmobile Law Enforcement	12,471	1,245	1,210	35
Marine Law Enforcement	7,812	600	550	50
Off-Road Vehicle Enforcement	5,468	2,268	2,047	221
Jail	294,088	279,488	278,470	1,018
Mine Inspector	8,634	8,634	8,435	199
Planning Commission	1,981	2,151	2,083	68
Emergency Services	22,160	20,250	19,474	776
Homeland Security Grants	40,564	4,600	4,600	-
<b>Total Public Safety</b>	<b>925,867</b>	<b>918,085</b>	<b>912,158</b>	<b>5,927</b>
<b>Public Works</b>				
Airport	18,702	19,332	19,262	70



**ONTONAGON COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Year Ended September 30, 2007**

**EXHIBIT X**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Health and Welfare				
District Health Department	55,023	54,401	54,400	1
Substance Abuse Agency	17,104	16,293	16,293	-
Medical Examiner	15,500	21,500	21,278	222
District Mental Health Department	48,814	48,814	48,814	-
Emergency Ambulance	1,100	1,400	1,328	72
Care of Patients	3,391	3,526	3,376	150
County Human Services Board	1,963	2,163	2,100	63
Gogebic Human Services Coordinating Board	1,000	1,000	1,000	-
Veterans' Burials	12,200	12,200	11,745	455
Veterans' Counselor	1,240	1,470	1,220	250
Veterans' Affairs Board	460	460	330	130
Total Health and Welfare	157,795	163,227	161,884	1,343
Community and Economic Development				
UP Commission on Area Progress	600	600	600	-
Western UP Planning and Development Region	7,024	7,024	7,024	-
Total Community and Economic Development	7,624	7,624	7,624	-
Recreation and Cultural				
County Park	18,025	26,025	25,534	491
Other				
Insurance and Bonds	57,650	54,650	54,170	480
Capital Outlay				
Sheriff Department Equipment and Vehicles	-	31,090	30,348	742
Debt Service				
White Pine Industrial Park Loan Principal	8,564	8,564	8,564	-
Total Expenditures	2,942,502	3,076,708	3,052,936	23,772
Other Financing Uses				
Interfund Transfers (Out)				
Law Library	7,000	9,500	9,500	-
Revenue Sharing	-	389,663	389,663	-
Child Care	12,672	8,246	8,246	-
Total Other Financing Uses	19,672	407,409	407,409	-
Total Expenditures and Other Financing Uses	\$ 2,962,174	\$ 3,484,117	\$ 3,460,345	\$ 23,772



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

December 14, 2007

Ontonagon County Board of Commissioners  
Ontonagon County Courthouse  
725 Greenland Road  
Ontonagon, Michigan 49953

RE: Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of the Financial Statements Performed in  
Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Ontonagon County, Michigan, as of and for the year ended September 30, 2007, which collectively comprise Ontonagon County's basic financial statements and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ontonagon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ontonagon County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ontonagon County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we noted a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects Ontonagon County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Comments and Recommendations to be a significant deficiency in internal control over financial reporting which is listed as Finding 07-01.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ontonagon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Comments and Recommendations as Findings 07-02 through 07-04.

We noted other matters that we reported to the management of Ontonagon County described in the accompanying Comments and Recommendations as Findings 07-05.

This report is intended solely for the information and use of the Ontonagon County Board of County Commissioners, county's management and others within the county, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

**COUNTY OF ONTONAGON**  
**COMMENTS AND RECOMMENDATIONS**

SIGNIFICANT DEFICIENCIES

Sheriff Department--Inmate Account

*Finding 07-01*

*Condition:* The Sheriff Department's Commissary Checking Account is not reconciled on a monthly basis.

*Criteria:* The Accounting Procedures Manual for Local Units of Government requires all bank accounts to be reconciled on a monthly basis.

*Recommendation:* We recommend that the Sheriff's Department reconcile the commissary account monthly.

NONCOMPLIANCE WITH STATE STATUTES

County Board--Budget

*Finding 07-02*

*Condition:* As indicated in the notes to the financial statements, the County of Ontonagon has not complied with certain provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act. For the fiscal year ended September 30, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the Revenue Sharing Fund as follows:

<u>Fund/Activity or Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Expenditures Over Budget</u>
Major Special Revenue Fund			
911 Service Fund			
Public Safety			
911 Service	\$ 1,529	\$ 2,083	\$ 554
Non-Major Special Revenue Fund			
County Library Board			
Recreational and Cultural	18,055	20,349	2,294
Probate Child Care			
Health and Welfare	74,050	76,523	2,473
Register of Deeds Automation Fund			
General Government			
Operating Expenditures	13,000	13,309	309

**COUNTY OF ONTONAGON**  
**COMMENTS AND RECOMMENDATIONS**

NONCOMPLIANCE WITH STATE STATUTES (Continued)

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Public Act 2 of 1968, as amended. The act requires the board of commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

*Directive:* We direct that the county's chief administrative officer, and those boards and commissions and administrative personnel responsible for administering the activities of the various funds of the county, to develop budgetary control procedures for the General Fund and Special Revenue Funds which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Violation of the Open Meetings Act--EDC

*Finding 07-03*

*Condition:* The minutes did not state the nature of the personnel matter to be discussed, which must be considered as a violation of law.

*Criteria:* MCL 15.268 Section 8 (b) of the Open Meetings Act states: "A public body may meet in a closed session to consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, **if the named person requests a closed hearing**. A person requesting a closed hearing may rescind the request at any time, in which case the matter at issue shall be considered after the rescission only in open sessions." (emphasis added)

MCL 15.267, Section 7 (1) of the Open Meetings Act states, in part: "The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the meeting at which the vote is taken."

*Directive:* We direct the county to discontinue holding closed sessions relating to county personnel unless held in accordance with the State law above. If a meeting is held in accordance with the Open Meetings Act, the purpose of the closed session should be **clearly** defined in the minutes of the board meeting in accordance with MCL 15.268 Section 8(b).

County Road Commissioners Compensation

*Finding 07-04*

*Findings:* During the course of performing the county and road commission audits, we found that the county board of commissioners does not set the compensation package for the road commissioners.

**COUNTY OF ONTONAGON**  
**COMMENTS AND RECOMMENDATIONS**

NONCOMPLIANCE WITH STATE STATUTES (Continued)

*Criteria:* Per the Michigan Compiled Laws Section 224.8:

2) The county board of commissioners shall fix the compensation of county road commissioners.

(3) The county board of commissioners may authorize the participation of county road commissioners in an insurance or retirement program established under section 10a. Any such authorization granted by a county board of commissioners before this subsection was added is valid. The cost of participation in the insurance or retirement program shall be paid by the county road commission from county road funds.

*Recommendation:* We recommend that the county board set the wages and fringes, including per diems, commutable mileage and any other fringe benefits, for the county road commissioners at their next regular board meeting.

OTHER MATTERS

Taxable Compensation

*Finding 07-05*

*Condition:* The county board of commissioners receives commutable mileage reimbursement as compensation that is not included as part of their taxable wages. We could not find any support for the commutable mileage reimbursement.

*Criteria:* Reimbursement for travel to and from meetings (at the office) is not authorized unless part of the original compensation package. Per IRS rules and regulations, all compensation is taxable and shall be reported as wages.

*Recommendation:* We recommend that the county board update their compensation package at their next regular scheduled board meeting to ensure compliance with IRS regulations and clearly identify all compensation, such as per diems, commutable mileage for in house meetings, payment in-lieu-of insurance and any other fringe benefits. The commutable mileage shall be part of the payroll system with the appropriate payroll taxes withheld.